



STAKEHOLDER GROUP MEETING – SYNOPSIS

MEETING DATE: 8/4/08

ATTENDEES: COUNCILMEMBER PETE CONSTANT, CHAIR

MEMBERS: LORIE BIRD, ELIZABETH BRIERLY, BOB BROWNSTEIN, CARL COOKSON, PAT DANDO, ERNIE GIACHETTI, CHARLES JONES, MICHELLE LEW, BOBBY LOPEZ, STEVE MOORE, DAVE PERSSELIN, ED RAST, JEFF RUSTER, JAN SCHNEIDER, RANDY SEKANY

ABSENT: YOLANDA CRUZ, PATRICIA GARDNER, HOOSHANG HOMARA, JOSHUA HOWARD, BUU THAI, KEN WILLEY, SUZANNE WOLF

STAFF: DEBRA FIGONE, CITY MANAGER, HARRY MAVROGENES, EXECUTIVE DIRECTOR REVEVELOPMENT AGENCY, JANE LIGHT, CITY MANAGER'S LIAISON, SHAWN SPANO, FACILITATOR.

Welcome/Introductions

- Councilmember Constant called meeting to order at 6:07 p.m. by welcoming everyone and introducing City Manger Debra Figone to provide opening remarks.
- Ms. Figone recapped strategies and discussed progress of Stakeholder Group since April. These included the following "Urgent Strategies"
 1. Utilize Financial Strategies that have positive Net Present Value -This has been implemented and included in the 08-09 budget.
 2. Formalize and implement a rigorous asset management program - has begun; a program report will be coming to the Stakeholder Group in September.
 3. Implement an Employee Suggestion and Process Streamlining Program
 4. Ensure current fees fully cover all costs - a number of fees were updated through the FY 08-09 budget process.
 5. Implement City-wide Landscape and Lighting Districts or other Prop 218 "property-related" fees. - This will be considered as a future option. More analysis needed for such a complex policy.

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6. Restructure business tax rate to modernize and reflect current business profile - This will be considered for future recommendations to Council. Will require analysis and outreach.
 7. Shift/ Increase Construction and Conveyance Tax - this strategy was sent to Council but was dropped because it polled poorly.
 8. Increasing Transit Occupancy Tax - did not advance due to concerns of the Stakeholder Group.
 9. Increase Sales Tax - not being considered
 10. Modernize Utility Users Tax - at this time, proposal for a ballot measure to lower rate and broaden the base is scheduled for Council motion on August 5, 2008.
 11. Card Club Tax
- In addition, Stakeholder Group members submitted over 70 strategies that staff organized into 11 different themes. These strategies were discussed on June 2, June 23, and July 7.
 - Recognizing the diversity of the Stakeholder Group suggested strategies, staff chose not to over-process or control the conversation. There was little or no editing of strategies, nor were they combined.
 - Following that discussion, additional strategies from the Management Partners report were discussed at the July meetings. These included: Changing the Prevailing Wage Applications, Shifting Healthy Neighborhood Venture Fund to the General Fund and Implementing Competitive Sourcing. At this meeting, the Prevailing Wage strategy will be revisited and concluded.
 - There are two areas left that staff would like to discuss with Stakeholders: a) Labor relations and b) Economic Development, including contributions of the Redevelopment Agency (RdA). Labor Relations will be discussed tonight while the RdA and Economic Development proposals will be discussed in upcoming meetings.
 - Discussions of the RdA strategies were raised by the SJExcels! Report which presented options for continued use of RdA funds to offset General Fund costs. To this effort, in Fiscal Year 08-09 RdA will be funding seven police officers.
 - At the Aug 18 meeting, staff will discuss any additional strategies that Stakeholders would like to advance and review the "requests for information" and provide information that is readily available.
 - On Sept 8 any additional strategies that the Stakeholders identified for future discussion will be discussed. There will also be an update on a recent court decision that could impact budget deficit strategies. Three longer term deficit strategy solutions will be discussed: Change California local government finance system, Change Retirement plan (two-tiered structure) and any follow-up to Economic Development Strategies.

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- The last meeting on September 22 will be used to close the loop with what has been raised by the stakeholder group including recapping and packaging the budget deficit strategies that have been covered since April.
- Solving the structural deficit issue will be a struggle due to the fact that there are now only two budget cycles in one timeframe, a sluggish economy, the likelihood of no new revenue of any significance from the ballot measures and the uncertainty of the impact of the State Budget in the City and RdA.
- Ms. Figone reassured Stakeholder Group members that their input and participation is very valuable to the City Manager's Office.
- Stakeholder Group's advice about placing revenue measures on the November Ballot is reflected on Ms. Figone's report and will be discussed at the August 5 City Council meeting.

Questions/Comments/Suggestions

Stakeholder Comment: Stakeholder feels that Asset Management strategy is not being pursued with urgency. Answer: City staff is currently working on this strategy, staff will come to a future meeting to present work-to-date.

Stakeholder Suggestions:

- Raise rent on commercial properties. What is the market rate?
- Staff should identify short list of strategies that have a general consensus from the Group and get community input.
- Look at definition of core City services. Also look at funding of non-government agencies (i.e. subsidies)
- Create subcommittee to address the City's core services.

Stakeholder Questions:

- Stakeholder would like to see the poll showing the results of the C&C strategy.
<http://www.sanjoseca.gov/clerk/Agenda/20080619/20080619a.pdf>
- In a study published by Claremont College and Rose Institute, San Jose ranked very low on businesses per capita. What is preventing San Jose from expanding retail businesses?

THEME: Controlling the Largest Component of General Fund Cost Increases-Personnel Expenditures

- CM Figone introduced this strategy by pointing out that personnel expenditures are the largest component of General Fund cost increases and, thus, important to the deficit.

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- The Management Partners report identified a number of specific cost control measures and the Stakeholder Group also identified ideas on employee compensation and pension plans.
- The discussion will be kept at a higher level in order to understand the broader scope of the strategy. The presentation will also address questions that the City routinely gets from the public about working in a unionized environment.

Presentation: Alex Gurza, Employee Relations Director

(<http://www.sanjoseca.gov/StakeholderGroup08.asp>). August 4 Presentation (Slides 1-11).

STRATEGY		Controlling the Largest Component of General Fund Cost Increases-Personnel Expenditures			
	ADVANTAGES			CONCERNS	
1.	Enables City to lock-in personnel expenses.		1.	The City has lack of flexibility in regards to payroll.	
2.	Competitive pay retains quality employees.		2.	Stakeholders don't have much control because of the strict process/regulations.	
3.	High retention rate		3.	Payroll costs shown did not include overtime.	
4.			4.	There needs to be more flexibility in replacing poor employees.	
5.			5.	Cost of recruiting vs. payback	
6.			6.	Due to high cost of living the City must pay well to retain quality employees	

Stakeholder Questions:

- What does it cost the City when we have a veteran employee leave the City for a better opportunity? Is the decent retirement pension a factor in why employees stay for a majority of their careers?
- Have we done an analysis of the failure rate of recruiting Police Officers from other cities?- Information not readily available.
- Since 1980 what have been the general wage increases?- Information not readily available.
- Have you looked at overtime as it relates to the total cost of each employee? Would it change the cost if the City just hired more employees?
- What is the City's retention rate?

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- Because of baby boom population what incentives are you providing to have people stay longer?
- Is the city pursuing a two-tier retirement system? (Will be discusses on September 8 meeting)

Stakeholder Suggestion: Make payroll costs more available to public.

“Change Prevailing Wage Applications: Eliminate Service Contracts”

Presentation: Ed Shikada, Deputy City Manager

(<http://www.sanjoseca.gov/StakeholderGroup08.asp>) August 4 Presentation (Slides 12-19).
Management Partners Report Expenditure Controls and Shifts Strategy # 5 pp 117-119.

* This is follow-up information from the July 7 Stakeholder Meeting

STRATEGY		Change prevailing wage applications			
	ADVANTAGES			CONCERNS	
1.	Option A: Estimated annual savings of 1.2 million.		1.	Is this to simplify process or to save money? Confusing matter and would be difficult to implement.	
2.	Reduces administrative burden on City and contractors.		2.	Moving away from prevailing wage means we will get below average contract personnel.	
3.	Over time this would reduce service contract costs.		3.	We will be moving against community values by reducing wages.	
4.	Easier for staff and contractors to interpret.		4.	The economy changes so you will be retaining worse possible contractors.	
5.			5.	If people can go through loop holes then it is not worth it to the City.	

Stakeholder Questions:

- Does living wage extend to businesses that operate on City property?

Ballot Measures for Council consideration

Presentation: Jane Light, Library Director (<http://www.sanjoseca.gov/StakeholderGroup08.asp>)
August 4 Presentation. (Slides 20-33)

- The presentation is a preview of the discussion that will take place at the August 5 City Council meeting.

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Stakeholder Questions/Comments:

- What are vital City Services?
- Is there a cap for businesses regarding trunk lines?
- Is there any knowledge on the leases of the card room premises? Will they leave San Jose if their taxes increase? Information is not readily available.

Closing: Next meeting will take place on August 18 at City Hall, Wing Rooms 118-120. Members were thanked for their time and service and asked them to attend the August 5 City Council meeting to comment on the various proposed ballot measures.

Advantages/concerns/questions can be emailed to pete.constant@sanjoseca.gov, please type "Stakeholder Group" in the subject line. Councilmember Constant will forward questions to the administration.

Meeting was adjourned at 9:00 p.m.